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USDOC FOR 532/OEA/MHAMES/ADYSON/TWILLIS/EHOLLAND  
USDOC FOR 3132 FOR FCS/OIO REGIONAL DIRECTOR PATRICK SANTILLO  
BICE FOR OFFICE OF STRATEGIC INVESTIGATIONS

SIPDIS

E.O. 12958: N/A

TAGS: [BMGT](#) [BEXP](#) [HK](#) [ETRD](#) [ETTC](#)

SUBJECT: EXTRANCHECK: PRE LICENSE CHECK: QWARE TECHNOLOGY (HK) LTD.

REF: A) D409520 B) BIS E-mail dated December 25, 2008

11. Unauthorized disclosure of the information provided below is prohibited by Section 12C of the Export Administration Act.

12. At the direction of the Office of Enforcement Analysis (OEA) of the USDOC Bureau of Industry and Security (BIS), Export Control Officer Philip Ankel (ECO) conducted a pre-license check (PLC) at Qware Technology (HK) Ltd., Room 1116-1119 Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong (Qware HK). The items in question are various Cisco routers and servers. These items are classified under export control classification number (ECCN) 5D002 and are controlled for national security (NS) reasons. The license applicant is Cisco Systems, Inc. of San Jose, California.

13. According to the Hong Kong Companies Registry, Qware Technology (HK) Limited was registered in October 2000. Its directors are Hong Kong residents Zhao, Jian and Zhao, Yingxue with Hong Kong identity card numbers P965619(0) and P090752(2), respectively. Zhao, Jian is also a director in Insigma International Holdings Limited. A second Qware company, namely Qware Technology Limited was registered in December 2007 (Qware Technology). Its directors are mainland nationals Jiang, Yi and Yu, Qiang (no passport or identity numbers are listed by the Hong Kong Companies Registry). Both companies have their registered address at the Qware HK address listed above.

14. According to the company web site ([www.Qware.com.cn](http://www.Qware.com.cn)), Qware HK is a IT system integration and service solution provider. It is a part of the Insigma Group ([www.insigma.com.cn](http://www.insigma.com.cn)), which is a listed company on the Shanghai stock exchange.

15. On December 30, 2008, ECO and Commercial Assistant Carrie Chan visited Qware at the address listed above and met with Jenny Wei, Vice Manager. She provided further background on Qware HK and the transaction in question. The office address of the company is located in a relatively high end office building in Hong Kong and it appears that the office is also the registered office of at least seven other companies. According to Ms. Wei, these other companies are all parts of the Insigma Group of companies and the office serves as all of their registered offices in Hong Kong. Ms. Wei also stated that as part of a corporate reorganization, Qware Technology Limited was formed and would eventually replace Qware Technology (HK) Limited in early 2009. For reasons that are still not entirely clear to the ECO, it appears that a decision was made to create a new company rather than simply change the name of the existing company. Ms. Wei stated that Qware HK is the Hong Kong subsidiary of the Insigma group and that all business operations are run out of the Hangzhou headquarters of the Insigma Group. The Hong Kong operation only provides logistics related support and does not generate any orders (nor are any customers located in Hong Kong).

16. Ms. Wei provided ECO with a series of documents related to this transaction including copies of Hong Kong TID import licenses for

the applicable items. She also provided a copy of the contract between Qware and Guangdong Post relating to the purchase of the items. ECO inquired why the contract was not signed and Ms. Wei stated that while the contact had been agreed, it was still in the finalization process. Ms. Wei stated that Qware HK expects to receive a finalized contract in the coming days. Ms. Wei stated that the items would be used by Guangdong Post in the banking portion of its operations (it also accepts deposits). Customers are all located in mainland China and include representatives from both the government and private sectors.

¶7. In reviewing the documentation, ECO noted two apparent discrepancies between the items that are the subject of the license application and those items listed in the TID licenses and on the purchase contract. In particular, Ms. Wei stated that the S382SPSK9 (included in the U.S. license application but not in the contract or Hong Kong license) was included in the Cisco3825-V/K9 (included in the U.S. license application, Hong Kong license and the contract). She also stated that the S384SPSK9-12311T (included in the U.S. license application but not in the contract or Hong Kong license) was actually part of the Cisco3845-V/K9 (included in the Hong Kong License, U.S. license application and the contract). ECO found her answers to ECO's questions to be straightforward and not evasive, but ECO is not in a position to determine whether they are factually correct.

¶8. ECO notes that the Hong Kong TID import license makes reference to U.S. license exception ENC as the foreign authorization for shipment to Hong Kong from the United States. ECO believes that license exception is available for exports of this class of items to non-governmental end-users. In this instance, Guangdong Post is an affiliate of China Post which is a corporate entity wholly owned by the mainland government. To the degree that BIS believes that government-owned corporate entities are government end-users, it may

wish to inform Hong Kong TID of that interpretation to ensure that Hong Kong TID properly interprets U.S. regulations when it considers the foreign country's licensing treatment of items.

¶9. Based on the information noted above, ECO believes that Qware HK is a suitable recipient of U.S. origin controlled technology, as logistics support provider. ECO can make no determination about the end-user or about Qware HK's mainland counterparts and affiliates. ECO recommends close review of the contact and the items requested in the license and also that BIS consider whether it wishes to see a signed contract before approving the license.